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THE COTTON TAX AND SOUTHERN EDUCATION.

BY DAVID Y. THOMAS.

AN Act of Congress approved July 1st, 1861, provided that a tax of one cent a pound should be collected on all cotton held or owned by any person on or after the first day of October, 1862, except such as was held or owned by manufacturers of cotton fabrics on that day. March 7th, 1862, the tax was raised to two cents a pound. In 1866 the committee on revenue actually reported favorably on a proposition to raise the tax to five cents, but this was defeated, largely through the opposition of the New York Chamber of Commerce. However, the Act of July 3rd, 1866, which purported to reduce taxes, raised the cotton tax to three cents. March 3rd, 1867, the tax was reduced to two and one-half cents, and on February 3rd, 1868, it was abolished altogether on all cotton raised after 1867.

At various times since 1871 bills have been introduced in Congress having in view the repayment of the money collected on the above-mentioned Acts. One introduced by the Hon. Frank Clark, of Florida, in the Sixtieth Congress provides, "That the proceeds of the tax on cotton illegally collected," etc., shall be repaid by the Treasurer of the United States to the original payers upon approval of their claims by the United States Court of Claims. The claimants are to be allowed five years in which to file their claims. After that any surplus remaining in the Treasury from this fund is to be paid over to the States in which those who originally paid such unclaimed sums resided and is to be used by them for the benefit of rural education.

The bill has some defects and some excellent points. One defect is the assumption that the tax was "illegally collected." The evident meaning is that the tax itself was illegal. In the only

case affecting its validity the legality of the tax was affirmed in the lower court and by the Supreme Court, though the vote was equally divided in the latter. The main attack on its legality is that it was a direct tax and was not apportioned as the Constitution directs that all such taxes shall be. To the layman it is hard to see why it is any more of a direct tax in theory than the tax on carriages, whiskey, cigars or oleomargarine. In practice, however, it is altogether probable that the producers paid more of this tax than did the consumers. That it was a tax on exports cannot be seriously maintained. Still, the fact remains that a great many people have always considered it illegal.

But, whether legal or not, the question is worthy of consideration whether the money collected under the tax ought not to be returned. The tax can hardly be defended on the grounds of equity. It was intended to operate and did operate on one particular section. Several of the States never paid any at all, and some of those which did were brought under the operation of the law only because some parties purchased cotton on which the tax had not been paid. Doubtless they deducted the amount of the tax from the price paid, knowing that they would have to pay it. By far the larger part of the tax came from the lower South. Georgia, Alabama, Louisiana, Texas, Mississippi, Tennessee and South Carolina paid \$58,000,000 out of a total of \$68,000,000. In 1867 the corn crop of the United States was worth \$610,948,390; the wheat crop, \$421,796,460; the hay crop, \$372,854,670; yet all of these were tax free, while cotton, worth \$201,470,495, paid a tax of \$22,500,947.77. The tax of the three cents levied in 1866 outdid the ten-per-cent. tax of the Duke of Alva. In some instances it amounted to as much as thirty per cent.

In 1861 a tax of \$20,000,000 was levied on lands and dwellings and was apportioned among the States according to population. There was no question about the legality of this Act; yet, thirty years later, the amount collected under it, less cost of collection, \$14,000,000, was returned as a gratuity to the States whose citizens had paid it. The fact that the tax had operated on only one section of the country, the seceding States paying very little, undoubtedly was one cause of the repayment. May not the same principle be applied to the cotton tax? At the time the South was paying this tax—only about \$3,000,000 was collected before the close of the war—it was also paying its share of all other taxes.

There is one ground on which the cotton tax may possibly be justified in public law—as a punitive measure. Certainly the conqueror has a right to impose his own terms on the conquered. But this will not be seriously urged in justification of the cotton tax. The aim after the close of the war was, or should have been, to pacify, not to irritate. Besides, the punishment was already severe enough in the destruction of so large a part of the wealth of the South.

Those who hold that the tax was an indirect one may urge that it was shifted by the producer to the consumer, and that it would not be just now to repay it to the producer simply because he paid it in the first instance. Some taxes may appear indirect in theory, but prove very direct in practice because not easily shifted. The tax on most manufactured goods can be shifted. This is particularly true with reference to whiskey, cigars and oleomargarine, but it is far from being the case when the tax is levied on raw materials in the hands of the producer. Generally the producers are ill acquainted with market conditions, have to part with their goods as soon as possible, and their great number makes concerted action almost impossible. Certainly the producers of cotton, whether carpetbaggers or natives, believed that they were paying the tax, if we may judge from their loud protests, both official and unofficial. Southern governors and legislatures early began to cry out against it, and their protests found an echo in the North. The New York Chamber of Commerce declared that the North should not take advantage of the South in the days of her weakness to discriminate against her principal industry.

The proposition to return the tax to the original payers is one of doubtful feasibility. As forty years have passed, the most of them are dead. Also the dangers of fraudulent claims would be great. No attempt was made to return the land tax to the landholders who paid it, the disposition of it being left to the discretion of the States.

A much better plan for the disposition of the cotton tax would be to return it to the cotton States and direct that it be used by them for the benefit of education. Possibly it should be confined entirely to the rural schools, thus benefiting the very people from whom originally collected. As a matter of course, in the distribution each State will receive the entire amount

collected within its borders. The sum collected outside the South, amounting to about two million dollars, should be distributed among the cotton States in an equitable ratio.

The South needs this help. As illustrating the injurious effects of the Civil War and of the years immediately following, the census shows that among the native white males of the South the proportion of illiteracy was much higher in 1900 in the age group forty-five to fifty-four than in the next older and next younger groups. The children who ought to have been in school during the period of the cotton tax were deprived of that privilege by the war and the years of grinding poverty which followed in its wake. Many of them are still living and have children and grandchildren whom they would be glad to see given better educational facilities than are now at their command. What more befitting act of justice could be thought of than to direct that the tax collected from the cotton-growers of the sixties shall go to the rural school fund of those States in which collected? Both whites and blacks paid the tax and would now share in its benefits. The subject of agricultural education is now attracting considerable attention in the South and several States are experimenting along that line. It may be found advisable to use this fund for the advancement of agricultural training in the schools, but that is a matter of detail which can be worked out when the tax has been returned.

Almost without exception the funds would go where most needed. In 1904 Georgia, which would get \$11,897,094, had 277,865 children between ten and fourteen years of age, of whom 63,329 were illiterate, or 227.9 in every 1,000. For the accommodation of her 789,939 children between five and eighteen years of age she had 7,082 schoolhouses, or one to every 111 children and to every 8.4 square miles of territory. To keep these schools open 118 days 10,342 teachers were employed, or one to every 78 children, and were paid an average monthly salary of \$27.81. In the other Southern States the salaries ranged from \$25.96 for males and \$23.20 for females in South Carolina to \$55.24 and \$43.27 in Texas. The per capita wealth of Georgia was \$488; the smallest in any of the States under consideration was \$403 in Mississippi; the largest, \$841 in Texas. The school revenue of Georgia for each child was \$2.74, or \$1.83 for each \$1,000 of wealth. The lowest was \$1.92 in Alabama, or \$1.29 for each \$1,000 of wealth; the highest, \$5.37 in Texas, or \$2.13

for each \$1,000 of wealth. In the distribution of the cotton tax Alabama would be entitled to \$10,338,072; Texas, to \$5,505,401.

It will be interesting to compare conditions in the South with the same in some of the Northern States. In 1904 Massachusetts had 229,330 children between ten and fourteen, of whom only 1,547 were illiterate, or only 6.7 in every 1,000. In Ohio the showing was still better, 4.9 in every 1,000, though it was not quite so good in New York and Illinois. For her 673,690 children of school age Massachusetts had 4,289 schoolhouses, or one for every 157 children and to every 1.9 square miles of territory. To keep these schools open 185 days she employed 14,741 teachers, or one to every forty-eight children, and paid them each month, males \$145.48, females \$55.37. As a source on which to draw for the support of these schools, she had a per capita wealth of \$1,672, and from this she derived a revenue of \$24.40 for each child of school age, or \$3.20 for each \$1,000 of wealth. New York does even better on both items.

It may be urged that the South is not doing as much in proportion to her wealth as the North, and there appears to be some ground for this contention. It has just been shown that, while Alabama raises only \$1.29 for each \$1,000 of wealth, Massachusetts raises \$3.20. But, while by this rate Alabama secures only \$1.92 for each child, Massachusetts, by a rate not quite three times as great, secures \$24.40 for each child, a sum twelve times as large as that realized in Alabama. The Southern man has more children to provide for and less wealth with which to do it. In Alabama and Georgia for every 100 of population there are 33.4 school children, but in Massachusetts only 22.2.

Of late there has been considerable discussion as what is the most suitable memorial to erect to the memory of President Lincoln on this the one-hundredth anniversary of his birth. Lincoln sprang from the poor whites of the South and devoted his life to the task of setting the negro free. What more fitting memorial could be conceived than the creation of a permanent fund to advance the intellectual freedom of these two classes? Will not our common country set aside \$68,000,000 for this purpose? We will call it the Lincoln Memorial Fund for the Advancement of Southern Education, a monument more enduring than bronze and far more serviceable than any splendid Appian Way leading to a battle-field.

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